

108TH CONGRESS
1ST SESSION

H. R. 1570

To accelerate natural gas exploration, development, and production from oil and gas wells drilled to deep depths on existing lease tracts on the Outer Continental Shelf, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 2003

Mr. JOHN introduced the following bill; which was referred to the Committee on Resources

A BILL

To accelerate natural gas exploration, development, and production from oil and gas wells drilled to deep depths on existing lease tracts on the Outer Continental Shelf, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Outer Continental
5 Shelf Shallow Water Deep Gas Royalty Relief Act”.

6 **SEC. 2. PURPOSES.**

7 The purposes of this Act are the following:

(1) To accelerate natural gas exploration, development, and production from wells drilled to deep depths on existing shallow water lease tracts on the Outer Continental Shelf.

(2) To provide royalty incentives for the production of natural gas from such tracts.

(3) To provide royalty incentives for development of new technologies and the exploration and development of the new frontier of deep drilling on the Outer Continental Shelf.

**SEC. 3. ROYALTY INCENTIVES UNDER EXISTING LEASES
FOR PRODUCTION OF DEEP GAS IN SHALLOW
WATER IN THE GULF OF MEXICO.**

(a) SUSPENSION OF ROYALTIES.—

(1) IN GENERAL.—The Secretary of the Interior shall grant royalty relief for natural gas produced under leases issued under the Outer Continental Shelf Lands Act (43 U.S.C. 1301 et seq.) prior to January 1, 2001, from deep wells on oil and gas lease tracts in shallow waters of the Gulf of Mexico located wholly west of 87 degrees, 30 minutes west longitude.

(2) AMOUNT OF RELIEF.—The Secretary shall grant royalty relief to eligible leases in the following amounts:

1 (A) A suspension volume of at least 15 bil-
2 lion cubic feet of natural gas produced from a
3 successful deep well with a total vertical depth
4 of 15,000 feet to 17,999 feet.

5 (B) A suspension volume of at least 25 bil-
6 lion cubic feet of natural gas produced from a
7 successful deep well with a total vertical depth
8 of 18,000 feet to 19,999 feet.

9 (C) A suspension volume of at least 35 bil-
10 lion cubic feet of natural gas produced from
11 any ultra deep well.

12 (D) A suspension volume of at least 5 bil-
13 lion cubic feet of natural gas per well for up to
14 2 unsuccessful wells drilled to a depth of at
15 least 18,000 feet on a lease tract that subse-
16 quently produces natural gas from a successful
17 deep well.

18 (3) LIMITATION.—The Secretary shall not
19 grant the royalty incentives outlined in this section
20 if the average annual NYMEX natural gas price ex-
21 ceeds for one full calendar year the threshold price
22 of \$5 per million Btu, adjusted from the year 2000
23 for inflation.

24 (b) DEFINITIONS.—For purposes of this section:

1 (1) The term “deep well” means a well drilled
2 with a perforated interval, the top of which is at
3 least 15,000 feet true vertical depth below the
4 datum at mean sea level.

5 (2) The term “eligible lease” means a lease
6 that—

7 (A) was issued in a lease sale held before
8 January 1, 2001;

9 (B) is for a tract located in the Gulf of
10 Mexico entirely in water depths less than 200
11 meters on a block wholly west of 87 degrees, 30
12 minutes west longitude; and

13 (C) is for a tract that has not produced
14 gas or oil from a well that commenced drilling
15 before March 26, 2003, with a completion
16 15,000 feet true vertical depth below the datum
17 at mean sea level or deeper.

18 (3) The term “shallow water” means water less
19 than 200 meters deep.

20 (4) The term “ultra deep well” means a well
21 drilled with a perforated interval, the top of which
22 is at least 20,000 feet true vertical depth below the
23 datum at mean sea level.

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